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5 Attorney for Department

7 STATE AUDITOR'S OFFICE
8 SECURITIES DEPARTMENT
9 HELENA, MONTANA

10 IN THE MATTER OF:) Case No.: I-11-29-05-152
)
11 END CHILD HUNGER INC, their agents and) NOTICE OF PROPOSED AGENCY
12 representatives) ACTION AND OPPORTUNITY FOR
) HEARING
13 TYSON WILLIAMS, individually; and John)
14 and/or Jane Does 1-52,)
Respondents)

15
16 Staff of the Securities Department (Department) of the office of the Montana State
17 Auditor and ex-officio Commissioner of Securities (Commissioner), pursuant to the authority of
18 the Securities Act of Montana, §§ 30-10-101, et. seq., Mont Code Ann. (2005), is proposing to
19 the Commissioner that he take disciplinary action against Respondents End Child Hunger, Inc.,
20 and Tyson Williams, as well as their agents and representatives, and John and/or Jane Does 1-52,
21 for violations of the Securities Act of Montana (Act). The Commissioner has authority to take
22 such action under the provisions of the Mont. Code Ann. §§30-10-102, 30-10-107, 30-10-201,
23 30-10-301, 30-10-304, 30-10-305, and 30-10-309.

24 Specifically, the staff is recommending that the Commissioner issue an order requiring
25 Respondents to immediately cease and desist their activities that are in violation of the Act and

1 an order to impose appropriate administrative fines, as well as any equitable relief deemed
2 appropriate.

3 Service of process is pursuant to §30-10-107(8), Mont. Code Ann.

4 REASONS FOR ACTION

5 There is probable cause to believe that the following facts, if true, justify and support
6 such specific action.

7 ALLEGATIONS OF FACTS

8
9 1. End Child Hunger, Inc. operates End Child Hunger (ECH) whose principal
10 offices are located at 338 West Main Street, American Fork, Utah, 84003.

11 2. Tyson Williams (Williams) is the President of ECH. Williams is a promoter of
12 the ECH pyramid promotional scheme.

13 3. John and/or Jane Does 1-52 are promoters of and participants in ECH.

14 4. Through ECH's submission of the required form to notice file a multilevel
15 distribution company, an MLD-1, on or about July 20, 2005 the Department discovered that
16 ECH had solicited Montana participants in an illegal pyramid promotional scheme. Materials
17 obtained from the company indicate the program is an illegal pyramid promotional scheme
18 pursuant to §30-10-324(6)(a), MCA (2005). ECH has as many as 52 Montana participants in its
19 illegal pyramid promotional scheme in violation of § 30-10-325(1), MCA (2005).
20

21 5. ECH states its mission is " to bring an end to the suffering of millions of the
22 world's children due to hunger, malnutrition and starvation." To accomplish their "mission",
23 ECH, accepted donations, and "provide[d] an opportunity for everyday individuals to earn up to
24 a full-time income by helping others."
25

1 6. Participants in ECH are called "Ambassadors". To become an Ambassador,
2 persons must register with the company and purchase a Virtual Business Center for \$49.95 per
3 year. Ambassadors receive compensation based on contributions made by others.

4 7. The company's promotional materials specify three levels of compensation: the
5 Donor Phase, the Benefactor Phase, and the Philanthropist Phase. The various compensation
6 levels are based on income derived through donations to ECH, the higher the donations the
7 higher the level of compensation. The compensation to participants is derived and paid out on a
8 percentage of the income to ECH generated through the donations obtained by participants.
9

10 8. The various levels of compensation are attained through a complicated
11 recruitment matrix. For example, to participate at the Benefactor Phase, once qualified, the
12 Ambassador has the option to participate in the Triad matrix. The Triad matrix is a 7-level
13 matrix. In the first level there are three individuals, in the second level there are three groups of
14 3, in the third level there are nine groups of 3, and so on. In total, 3,279 people make up a
15 matrix. Participating in this phase allows Ambassadors to earn rewards on those who enter the
16 triad matrix beneath them. The Benefactor Ambassador's compensation is based on a
17 percentage of the monthly donations by Ambassadors on the various lower levels of the Triad
18 matrix.
19

20 9. A search of ECH on the Internet reveals the company and its participants are
21 soliciting recruits by stating, "[n]o additional work is required on your part- you just gain
22 financial benefit."

23 10. ECH, its principals, employees and agents solicited investments in ECH's
24 program in Montana through the use of promotional materials and Internet websites. In doing
25 so, ECH, through Williams, solicited fifty-two (52) residents of Belgrade, Arlee, Bozeman,

1 Kalispell, Seely Lake, Polson, St. Ignatius, Sweetgrass, Whitefish, Missoula, and Philipsburg, to
2 invest in this illegal pyramid scheme.

3 11. ECH offers no products. The program earns income by recruiting others to join
4 and purchase an ECH membership rather than through the sale of products. Participants earn
5 compensation by recruiting others to donate to ECH.

6 CONCLUSIONS OF LAW

7
8 1. The Commissioner has jurisdiction over this matter by reason of Respondents'
9 offer and sale of securities to persons in Montana. § 30-10-107, MCA (2005).

10 2. The Commissioner has jurisdiction over this matter by reason of Respondents'
11 conducting or promoting or causing to be conducted or promoted a pyramid promotional scheme
12 in Montana. § 30-10-107, MCA (2005).

13 3. Respondents' program is a pyramid promotional scheme within the meaning of
14 the Securities Act of Montana, § 30-10-324(6), MCA (2005).

15 4. Respondents violated § 30-10-325, MCA (2005), by conducting or promoting or
16 causing to be conducted or promoted a pyramid promotional scheme in Montana.

17 PUBLIC INTEREST

18 For any and all of the reasons set forth above, it is in the public interest and will protect
19 Montana investors and participants to:

20
21 1. Issue a cease and desist order barring ECH and Williams as well as their agents
22 and representatives, and John and/or Jane Does 1-52 from further violations of the
23 Montana Securities Act.

24 2. Order ECH, and Williams, as well as their agents and representatives, and John
25 and/or Jane Does 1-52, to pay an administrative fine in an amount and upon such

1 terms and conditions as supported by the evidence and determined at a hearing of
2 this matter;

- 3 3. Order ECH, and Williams, as well as their agents and representatives, and John
4 and/or Jane Does 1-52, to pay restitution in an amount and upon such terms and
5 conditions as supported by the evidence and determined at a hearing of this
6 matter, including the statutorily allowed 10% interest per annum from the date of
7 wrong-doing; and
8
9 4. Take such other actions which may be in the public interest and necessary and
10 appropriate for the protection of Montana investors.

11 **RELIEF REQUESTED**

12 WHEREFORE, the Department seeks the following relief:

- 13 1. Imposition of an administrative fine for each violation of the Securities Act of
14 Montana. The maximum fine allowed pursuant to the Act is \$10,000 for each
15 violation, pursuant to §30-10-325 (3), MCA (2005).
16
17 2. An order to pay restitution in an amount and upon such terms and conditions as
18 supported by the evidence and determined at a hearing of this matter, including
19 the statutorily allowed 10% interest per annum from the date of wrong-doing,
20 pursuant to §30-10-309, MCA (2005).
21
22 3. The Department seeks a finding that all sanctions and remedies detailed and
23 described here are in the public interest and necessary for the protection of
24 Montana investors.
25
4. Issuance of an immediate Order to cease and desist from committing further
violations of the Act.

1 5. Any further action as deemed just and appropriate for the protection of Montana
2 investors.

3 STATEMENT OF RIGHTS

4 You are entitled to a hearing on the NOTICE OF PROPOSED AGENCY ACTION and
5 to respond to this notice and present evidence and arguments on all issues involved in this case.
6 You may have a formal hearing before a hearing examiner appointed by the Commissioner. This
7 is provided for by the Montana Administrative Procedure Act, §§ 2-4-601, Mont. Code Ann.,
8 and following, including § 2-4-631, Mont. Code Ann. If you demand a hearing, you will be
9 given notice of the time, place and the nature of the hearing.
10

11 You have a right to be represented by an attorney at any and all stages of this proceeding.

12 If you want to resist the proposed action under the jurisdiction of the Commissioner, you
13 must so advise him within fifteen (15) days of the date you receive this notice. See §30-10-
14 201(16), Mont. Code Ann., pending final determination of this proceeding. You may so advise
15 him by writing to Roberta Cross Guns, Special Assistant Attorney General, State Auditor's
16 Office, 840 Helena Ave., Helena Avenue, Helena, Montana, 59601. While so advising Ms.
17 Cross Guns, you should make clear whether you demand a hearing, or whether you waive formal
18 proceedings and, if so, what informal proceedings you prefer for handling this case. Pursuant to
19 § 2-4-603(2), Mont. Code Ann., you may not request to proceed informally if the action could
20 result in suspension, revocation or any other adverse action against a professional license.
21

22 Should you request a hearing, you have the right to be accompanied, represented, and
23 advised by counsel. If the counsel you choose has not been admitted to practice law in the State
24 of Montana, he or she must comply with the requirements of Application of American Smelting
25 and Refining Co., (1973), 164 Mont. 139, 520 P.2d 103.

1 CONTACT WITH THE COMMISSIONER'S OFFICE

2 If you have questions or wish to discuss this matter, please contact Ms. Cross Guns at
3 (406) 444-2040 or, within Montana (800) 332-6148. If you are represented by an attorney,
4 please make any contacts with this office through your attorney.

5 POSSIBILITY OF DEFAULT

6 Failure to give notice or to advise of your demand for a hearing or form of informal
7 procedure within fifteen (15) days, will result in the entry of a default order imposing the
8 disciplinary sanctions against you and your license, without further notice to you, pursuant to
9 6.2.101, Administrative Rules of Montana and the Attorney General's Model Rule 10, 1.3.214.
10

11 DATED this 30th day of November 2005.

12
13 JOHN MORRISON
14 STATE AUDITOR AND COMMISSIONER OF SECURITIES

15 By: Roberta Cross Guns
16 Roberta Cross Guns
17 Special Assistant Attorney General
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1 CEASE AND DESIST ORDER

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3 Pursuant to §30-10-305(1)(a), MCA (2005), it appears to the Commissioner that the
4 above named Respondents, End Child Hunger, Inc., and Tyson Williams, as well as their agents
5 and representatives, have engaged or are about to engage in an act or practice constituting a
6 violation of the Securities Act of Montana, pursuant to §30-10-102, MCA (2005), and it is in the
7 public interest to ORDER End Child Hunger, Inc., and Tyson Williams, as well as their agents
8 and representatives, and John and/or Jane Does 1-52 to CEASE AND DESIST from the
9 following actions:

- 10 1. Any actions or activity wherein End Child Hunger, Tyson Williams, as well as their
11 agents and representatives, and John and/or Jane Does 1-52 that promote any pyramid
12 promotional scheme, including End Child Hunger's program to or from the State of
13 Montana, in violation of § 30-10-325, MCA (2005).
14

15 NOTICE

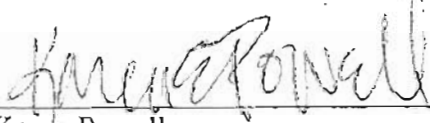
16 Respondents are notified that the Commissioner has issued this temporary cease and
17 desist order. If Respondents wish to contest the allegations herein, they shall make a written
18 request for a hearing within fifteen (15) days of receipt of this order to Roberta Cross Guns,
19 Legal Counsel, State Auditor's Office, 840 Helena Ave., Helena, MT 59601. The hearing shall
20 then be held within a reasonable time of the Commissioner's receipt of the hearing request. If no
21 hearing is requested within fifteen (15) days of receipt of this order by Respondents, and the
22 Commissioner orders none, this order shall become permanent, and the above allegations of fact
23 will be declared findings of fact and the above proposed conclusions of law will be declared
24 conclusions of law.
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1 Should you request a hearing, you have the right to be accompanied, represented and
2 advised by counsel. If the counsel you choose has not been admitted to the practice of law in the
3 State of Montana, he or she must comply with the requirements of Application of American
4 Smelting and Refining, Co., 164 Mont. 139, 520 P.2d 103 (1973).

5 Section 30-10-306(1), Mont. Code Ann., provides that any willful violation of this cease
6 and desist order, upon conviction, may be punished by imprisonment for not more than ten (10)
7 years and/or a fine not exceeding five thousand dollars (\$5,000).

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9 DATED this 30th date of November 2005.

10 JOHN MORRISON,
11 State Auditor and Commissioner of Securities

12 By: 
13 Karen Powell
14 Deputy Securities Commissioner
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